

AMENDED IN ASSEMBLY APRIL 5, 1999
AMENDED IN ASSEMBLY MARCH 4, 1999
AMENDED IN ASSEMBLY FEBRUARY 4, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 34

Introduced by Assembly Member Steinberg
(Principal coauthor: Assembly Member Baugh)
(Coauthors: Assembly Members Alquist, Calderon, Cedillo,
Gallegos, Hertzberg, ~~Keeley~~ Jackson, Keeley, Kuehl,
Mazzoni, Romero, Strom-Martin, Thomson, and
Washington)
(Coauthors: Senators ~~Baea~~ Alpert, Baca, Chesbro, Johnston,
Perata, and Solis)

December 7, 1998

An act to amend Sections 5802, 5806, and 5814 of the Welfare and Institutions Code, relating to mental health, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 34, as amended, Steinberg. Mental health funding: local grants.

Existing law provides for the allocation of state funds to counties for mental health programs.

This bill would make various statements of legislative findings and intent regarding the need to provide sufficient funds to counties for adult mental health and related services.

Existing law requires the State Department of Mental Health to establish service standards relating to mental health services. These standards are required to include, among other things, plans for services and evaluation strategies.

This bill would also require these standards to include coordination and access to related medications, substance abuse services, housing assistance, and vocational rehabilitation services.

The bill would also provide for planning grants and service expansion grants to counties for adult mental health programs.

The bill would appropriate funds to provide planning grants and expansion grants for counties with significant populations of homeless mentally ill persons through the 2006–07 fiscal year.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) Presently there are no financial incentives for
4 counties to increase the number of people they serve with
5 severe mental illness.

6 (b) County dollars are generally fixed, so that
7 treatment of a higher than expected number of Medi-Cal
8 recipients, who are entitled to treatment by the county,
9 reduces the amount of funds available to serve other
10 individuals.

11 (c) Counties should be provided an amount of funds to
12 establish systems of care for severely mentally ill adults,
13 and provide mental health services and related
14 medications, substance abuse services, housing assistance,
15 vocational rehabilitation, and other nonmedical
16 programs necessary to stabilize homeless mentally ill
17 persons, get them into regular treatment, and off the
18 streets.

19 (d) When people who suffer from severe mental
20 illness do not have access to the services they require they



1 frequently wind up in the criminal justice system.
2 *However, those who receive extensive community*
3 *treatment are hardly ever incarcerated.* The Department
4 of Corrections is expending \$400 million annually for the
5 incarceration and treatment of people suffering from
6 severe mental illness. In addition, the Department of
7 Corrections and the criminal justice system are
8 responsible for the placement of ~~persons~~ more than 3,000
9 of the total of approximately 4,500 ~~beds~~ *persons* in the
10 state mental hospitals, for an additional annual state cost
11 of over \$300 million.

12 ~~(e) While most people suffering from severe mental~~
13 ~~illness who do not receive treatment have come into~~
14 ~~contact with the criminal justice system and have been~~
15 ~~incarcerated at one time or another in their life, those~~
16 ~~who receive extensive community treatment are hardly~~
17 ~~ever incarcerated. Moreover, people suffering from~~
18 ~~severe mental illness who are able to receive adequate~~
19 ~~treatment do not commit crimes at any higher rate than~~
20 ~~those of the general population.~~

21 ~~(f)–~~

22 (e) People suffering from severe mental illness
23 receive sentences that are six times longer than those
24 received by others convicted of the same crimes.

25 ~~(g)–~~

26 (f) There are no funds or programs that ensure that
27 people suffering from severe mental illness can receive
28 ~~the treatment they need, unless they have committed a~~
29 ~~serious or violent felony and are returned to the~~
30 ~~community under the conditional release program which~~
31 ~~includes state funding for comprehensive mental health~~
32 ~~services.~~

33 ~~(h)– the treatment they need.~~

34 (g) Increasing funding for an adult mental health
35 system of care will pay for itself many times over in
36 reduced Department of Corrections, criminal justice
37 system, and local law enforcement expenditures for
38 people with severe mental illness.

39 SEC. 2. Section 5802 of the Welfare and Institutions
40 Code is amended to read:

1 5802. (a) The Legislature finds that a mental health
2 system of care for adults and older adults with severe and
3 persistent mental illness is vital for the success of mental
4 health managed care in California. Specifically:

5 (1) A comprehensive and coordinated system of care
6 includes community-based treatment, *outreach services*
7 *and other early intervention strategies*, case
8 management, and interagency system components
9 required by adults and older adults with severe and
10 persistent mental illness.

11 (2) Mentally ill adults and older adults receive service
12 from many different state and county agencies,
13 particularly criminal justice, employment, housing,
14 public welfare, health, and mental health. In a system of
15 care these agencies collaborate in order to deliver
16 integrated and cost-effective programs.

17 (3) The management of the risk for persons with
18 severe mental illness and related financial risks is
19 important for all levels of government, business, and the
20 community.

21 (4) System of care services which ensure culturally
22 competent care for persons with severe mental illness in
23 the most appropriate, least restrictive level of care are
24 necessary to achieve the desired performance outcomes.

25 (5) Mental health service providers need to increase
26 accountability and further develop methods to measure
27 progress towards client outcome goals and cost
28 effectiveness as required by a system of care.

29 (b) The Legislature further finds that the integrated
30 service agency model developed in Los Angeles and
31 Stanislaus Counties and the countywide systems model
32 developed in Ventura County, beginning in the 1989–90
33 fiscal year through the implementation of Chapter 982 of
34 the Statutes of 1988, provides models for managing care
35 for adults and older adults with severe mental illness that
36 are vital to the implementation and success of the mental
37 health managed care plan in California, and have
38 successfully met the performance outcomes required by
39 the Legislature.

(c) The Legislature also finds that the system components established in these three programs can be replicated and expanded to additional clients in order to provide greater benefit to adults and older adults with severe and persistent mental illness at a lower cost in California.

(d) Therefore, using the guidelines developed under the demonstration projects implemented under the adult system of care legislation in 1989, it is the intent of the Legislature to accomplish the following:

(1) Encourage each county to implement a system of care as described in this legislation for the delivery of mental health services to seriously mentally disordered adults and older adults.

(2) To promote system of care accountability for performance outcomes which enable adults with severe mental illness to reduce symptoms which impair their ability to live independently, work, maintain community supports, care for their children, stay in good health, not abuse drugs or alcohol, and not commit crimes.

(3) Maintain funding for the existing programs developed in Los Angeles, Stanislaus, and Ventura Counties as models and technical assistance resources for future expansion of system of care programs to other counties as funding becomes available.

(4) Provide sufficient funds for counties to establish outreach programs and to provide mental health services and related medications, substance abuse services, housing assistance, vocational rehabilitation, and other nonmedical programs necessary to stabilize homeless mentally ill persons, get them off the street, and into treatment and recovery.

SEC. 3. Section 5806 of the Welfare and Institutions Code is amended to read:

5806. The State Department of Mental Health shall establish service standards that ensure that members of the target population are identified, and services provided to assist them to live independently, work, and reach their potential as productive citizens. These standards include but are not limited to:

1 (a) A service planning process that is target
2 population based and includes the following:

3 (1) Determination of the numbers of clients to be
4 served and the programs and services that will be
5 provided to meet their needs. The local director of
6 mental health shall consult with the mental health board,
7 contract agencies, family, client, ethnic and citizen
8 constituency groups as determined by the director.

9 (2) Plans for services including outreach, design of
10 mental health services, coordination and access to
11 medications, substance abuse services, housing assistance,
12 and vocational rehabilitation services. Plans shall also
13 contain evaluation strategies, which shall consider
14 cultural, linguistic, gender, age, and special needs of
15 minorities in the target populations. Provision shall be
16 made for staff with the cultural background and linguistic
17 skills necessary to remove barriers to mental health
18 services due to limited English speaking ability and
19 cultural differences.

20 (3) Provisions for services to meet the needs of target
21 population clients who are physically disabled.

22 (4) Provision for services to meet the special needs of
23 older adults.

24 (5) Provision for family support and consultation
25 services, parenting support and consultation services, and
26 peer support or self-help group support, where
27 appropriate.

28 (b) Each client shall have either a clearly designated
29 mental health case manager or a multidisciplinary
30 treatment team who is responsible for providing or
31 assuring needed services. Responsibilities include
32 complete assessment of the client's needs, development
33 of the client's personal services plan, linkage with all
34 appropriate community services, monitoring of the
35 quality and followthrough of services, and necessary
36 advocacy to ensure each client receives those services
37 which are agreed to in the personal services plan. Each
38 client shall participate in the development of his or her
39 personal services plan, and responsible staff shall consult
40 with the designated conservator and, with the consent of

1 the client, consult with the family and other significant
2 persons as appropriate.

3 (c) The individual personal services plan shall ensure
4 that members of the target population involved in the
5 system of care receive age, gender, and culturally
6 appropriate services, to the extent feasible, that are
7 designed to enable recipients to:

8 (1) Live in the most independent, least restrictive
9 housing feasible in the local community.

10 (2) Engage in the highest level of work or productive
11 activity appropriate to their abilities and experience.

12 (3) Create and maintain a support system consisting of
13 friends, family, and participation in community activities.

14 (4) Access an appropriate level of academic education
15 or vocational training.

16 (5) Obtain an adequate income.

17 (6) Self-manage their illness and exert as much control
18 as possible over both the day-to-day and long-term
19 decisions which affect their lives.

20 (7) ~~Maintain~~ *Access necessary physical health care*
21 *and maintain* the best possible physical health.

22 (8) Reduce or eliminate antisocial or criminal
23 behavior and thereby reduce or eliminate their contact
24 with the criminal justice system.

25 (9) Reduce or eliminate the distress caused by the
26 symptoms of mental illness.

27 (10) Reduce or eliminate the harmful effects of alcohol
28 and substance abuse.

29 SEC. 4. Section 5814 of the Welfare and Institutions
30 Code is amended to read:

31 5814. (a) This part shall be implemented only to the
32 extent that funds are appropriated for purposes of this
33 part ~~in the Budget Act~~. To the extent that funds are made
34 available, the first priority shall go to maintain funding for
35 the existing programs developed in Los Angeles,
36 Stanislaus, and Ventura Counties.

37 (b) As funds become available, this program shall be
38 expanded to provide training and funding for counties
39 with significant populations of homeless mentally ill
40 persons consisting of both of the following types of grants:

(1) Planning grants for new counties to create, and for existing system of care counties to expand, an adult system of care that meets the requirements of this part.

(2) (A) Four-year service expansion grants in accordance with a contract between the state and approved counties that provides a formula for annual increased funding reflecting net increases in the total annual number of severely mentally ill adults, *as described in Section 5600.3*, who receive extensive community mental health services in at least four consecutive months.

(B) The formula incentive funding provided pursuant to subparagraph (A) shall be sufficient to provide mental health services, medically necessary medications to treat severe mental illnesses, alcohol and drug services, housing assistance, ~~and~~ vocational rehabilitation, ~~including money management assistance for accessing other health care and obtaining federal income and housing support,~~ and stipends to attract and retain sufficient numbers of qualified professionals as necessary to provide the necessary levels of these services. These grants shall, however, pay for only the portion of the costs of those services not likely to be provided by federal funds or other state funds.

(C) Grants provided pursuant to subparagraph (A) shall include provisions measuring the base level of the number of people suffering from severe mental illness who are arrested and serve in jail, prison, or a state hospital as a result of their arrest in the applicable county, and measuring how the grant and increased mental health services provided by the grant reduces the portion of criminal justice system resources required to be expended on people with severe mental illness.

(D) Four-year program expansion grants provided pursuant to subparagraph (A) may be renewed upon their expiration, provided that the applicant county demonstrates to the satisfaction of the department that the services provided are successfully reducing the unmet mental health need and providing for reduction in the amount of law enforcement, criminal justice system,

1 and state corrections expenditures that would otherwise
2 be expended upon persons with severe mental illness
3 from the applicable county in accordance with a process
4 included in the grant for measuring these reductions and
5 setting forth benchmarks for reducing the expenditures
6 as mental health expenditures increase. *The benchmarks*
7 *for reduction in incarceration rates shall require each*
8 *county to reduce incarceration rates by 20 percent or*
9 *more over the four-year period. However, an individual*
10 *county contract may specify a different measure if there*
11 *are known circumstances making it difficult for that*
12 *county to obtain a 20 percent reduction even if all of the*
13 *best practices are utilized. In reviewing a county program*
14 *for renewal of a grant, the department may approve the*
15 *renewal even if the performance benchmark is unmet if*
16 *the department finds that the county program is*
17 *successfully stabilizing more people with severe mental*
18 *illness, improving the community by reducing*
19 *homelessness, and achieving the maximum feasible*
20 *reduction in incarceration of people with severe mental*
21 *illness.*

22 (E) In any county in which the director determines
23 the program has not resulted in a reduction of criminal
24 justice expenditures in accordance with the previous
25 four-year grant, the director may limit the funds available
26 for a continuation of the grant, or an expansion of the
27 grant, or impose other conditions upon the grant in order
28 to improve the performance of the county in reducing
29 the incarceration of people suffering from severe mental
30 illness.

31 (F) Commencing in the 2004–05 fiscal year, and
32 annually thereafter, the director shall report to the
33 Legislature regarding the impact of grants funded
34 pursuant to this section in reducing the incarceration of
35 people suffering from severe mental illness.

36 ~~(G) The appropriations required pursuant to Section~~
37 ~~5 of the act adding this subparagraph for the 2004–05 fiscal~~
38 ~~year and all future years shall be reduced by the amount~~
39 ~~that the director has determined is not required to fully~~
40 ~~fund the grants based upon a restriction in grant~~

1 expansion due to the failure of one or more county grants
2 in adequately reducing the incarceration of people with
3 severe mental illness.

4 ~~(H) During the 2006-07 fiscal year, and annually~~
5 ~~thereafter, the director, in consultation with county~~
6 ~~mental health directors, shall determine whether or not~~
7 ~~the funding levels currently provided for grants pursuant~~
8 ~~to subparagraph (A) during the 2006-07 fiscal year are~~
9 ~~likely to be adequate to meet the needs of all counties~~
10 ~~within the state to ensure that all persons suffering from~~
11 ~~severe mental illness have access to necessary treatment.~~

12 ~~(I)–~~

13 (G) If the director determines pursuant to
14 subparagraph ~~(H)~~ (E) that the funding levels set forth in
15 Section 5 of the act adding this subparagraph are not
16 adequate to meet the need, the director shall indicate the
17 anticipated additional funding required and the funding
18 in the 2007–08 fiscal year and subsequent fiscal years may
19 be increased by amounts not to exceed fifty million dollars
20 (\$50,000,000) in any one ~~future~~ *subsequent fiscal* year,
21 provided that the total appropriations in any one fiscal
22 year shall not exceed five hundred million dollars
23 (\$500,000,000).

24 ~~(J) If the director determines pursuant to~~
25 ~~subparagraph (H) that the amount of funding is adequate~~
26 ~~and that in fact a surplus of available funds is not claimed~~
27 ~~by the counties, the director shall determine the amount~~
28 ~~of future funding likely to be required. It is the intent of~~
29 ~~the Legislature that, in the event such a determination is~~
30 ~~made, appropriations for the 2007–08 fiscal year and~~
31 ~~subsequent fiscal years shall be reduced to the level that~~
32 ~~is found to be necessary.~~

33 SEC. 5. (a) The sum of three million dollars
34 (\$3,000,000) is hereby appropriated from the General
35 Fund to the State Department of Mental ~~Health~~ *Health*.
36 *Five hundred thousand dollars (\$500,000) shall be*
37 *allocated for training, by or through the programs*
38 *established pursuant to subdivision (a),—and of, five*
39 *hundred thousand dollars (\$500,000) shall be allocated for*
40 *training to counties in homeless outreach to be offered*

1 *through an organization with significant success with*
2 *homeless outreach programs, and two million dollars*
3 *(\$2,000,000) shall be allocated for grants to counties for*
4 *implementation of paragraph (1) of subdivision (b) of*
5 *Section 5814 of the Welfare and Institutions Code during*
6 *the 1999–2000 fiscal year.*

7 (b) The sum of fifty million dollars (\$50,000,000) is
8 hereby appropriated from the General Fund for the
9 ~~2000–01 fiscal year and from any fund into which funds for~~
10 ~~the implementation of the Master Settlement Agreement~~
11 ~~entered into by the states’ attorneys general and the~~
12 ~~tobacco industry on November 13, 1998, as specified in~~
13 ~~subdivision (i), 2000–01 fiscal year to the State~~
14 ~~Department of Mental Health for implementation of~~
15 ~~paragraph (2) of subdivision (b) of Section 5814 of the~~
16 ~~Welfare and Institutions Code.~~

17 (c) ~~The sum of~~ *A sum not to exceed* one hundred
18 million dollars (\$100,000,000) is hereby appropriated for
19 the 2001–02 fiscal year from the General Fund ~~and from~~
20 ~~any fund into which funds for the implementation of the~~
21 ~~Master Settlement Agreement entered into by the states’~~
22 ~~attorneys general and the tobacco industry on November~~
23 ~~13, 1998, as specified in subdivision (i), to the State to the~~
24 ~~State Department of Mental Health for implementation~~
25 ~~of paragraph (2) of subdivision (b) of Section 5814 of the~~
26 ~~Welfare and Institutions Code.~~

27 (d) ~~The sum of~~ *A sum not to exceed* one hundred fifty
28 million dollars (\$150,000,000) is hereby appropriated for
29 the 2002–03 fiscal year from the General Fund ~~and from~~
30 ~~any fund into which funds for the implementation of the~~
31 ~~Master Settlement Agreement entered into by the states’~~
32 ~~attorneys general and the tobacco industry on November~~
33 ~~13, 1998, as specified in subdivision (i), to the State to the~~
34 ~~State Department of Mental Health for implementation~~
35 ~~of paragraph (2) of subdivision (b) of Section 5814 of the~~
36 ~~Welfare and Institutions Code.~~

37 (E) ~~The sum of~~

38 (e) *A sum not to exceed* two hundred million dollars
39 (\$200,000,000) is hereby appropriated for the 2003–04
40 fiscal year from the General Fund ~~and from any fund into~~

~~1 which funds for the implementation of the Master
2 Settlement Agreement entered into by the states'
3 attorneys general and the tobacco industry on November
4 13, 1998, as specified in subdivision (i), to the State to the
5 State Department of Mental Health for implementation
6 of paragraph (2) of subdivision (b) of Section 5814 of the
7 Welfare and Institutions Code.~~

~~8 (f) (1) The sum of A sum not to exceed two hundred
9 fifty million dollars (\$250,000,000) is hereby appropriated
10 for the 2004-05 fiscal year from the General Fund and
11 from any fund into which funds for the implementation
12 of the Master Settlement Agreement entered into by the
13 states' attorneys general and the tobacco industry on
14 November 13, 1998, as specified in subdivision (i), to the
15 State to the State Department of Mental Health for
16 implementation of paragraph (2) of subdivision (b) of
17 Section 5814 of the Welfare and Institutions Code.~~

~~18 (2) The appropriation in paragraph (1) may be
19 reduced based on findings made pursuant to
20 subparagraph (G) of paragraph (2) of subdivision (b) of
21 Section 5814 of the Welfare and Institutions Code.~~

~~22 (g) (1) The sum of A sum not to exceed three
23 hundred million dollars (\$300,000,000) is hereby
24 appropriated for the 2005-06 fiscal year from the General
25 Fund and from any fund into which funds for the
26 implementation of the Master Settlement Agreement
27 entered into by the states' attorneys general and the
28 tobacco industry on November 13, 1998, as specified in
29 subdivision (i), to the State to the State Department of
30 Mental Health for implementation of paragraph (2) of
31 subdivision (b) of Section 5814 of the Welfare and
32 Institutions Code.~~

~~33 (2) The appropriation in paragraph (1) may be
34 reduced based on findings made pursuant to
35 subparagraph (G) of paragraph (2) of subdivision (b) of
36 Section 5814 of the Welfare and Institutions Code.~~

~~37 (h) (1) The sum of A sum not to exceed three
38 hundred fifty million dollars (\$350,000,000) is hereby
39 appropriated for the 2006-07 fiscal year and an equal
40 amount is hereby continuously appropriated for each~~

1 fiscal year thereafter from the General Fund and from
2 any fund into which funds for the implementation of the
3 Master Settlement Agreement entered into by the states'
4 attorneys general and the tobacco industry on November
5 13, 1998, as specified in subdivision (i), General Fund to
6 the State Department of Mental Health for
7 implementation of paragraph (2) of subdivision (b) of
8 Section 5814 of the Welfare and Institutions Code.

9 (2) The appropriation in paragraph (1) may be
10 modified pursuant to subparagraph (G) of paragraph (2)
11 of subdivision (b) of Section 5814 of the Welfare and
12 Institutions Code and the amount of any appropriation
13 for subsequent fiscal years shall be modified pursuant to
14 subparagraphs (G), (H), (I), and (J) of paragraph (2) of
15 subdivision (b) of Section 5814 of the Welfare and
16 Institutions Code.

17 (i) If the Legislature establishes a special fund for the
18 administration of tobacco litigation settlement proceeds
19 for which mental health services are an eligible
20 expenditure, the appropriations made in this section shall
21 be made from that fund. An amount necessary to meet
22 the annual funding levels appropriated in this section
23 shall have priority over other eligible expenditures from
24 that fund. If such a fund is not established or the fund, as
25 established, does not have funds adequate to meet the
26 funding levels appropriated in this section, the
27 appropriations contained in this section shall be allocated
28 from the General Fund.

29 (i) The State Department of Mental Health shall
30 allocate to counties, from the amount appropriated
31 pursuant to subdivision (a), for the first year of initial
32 grants to counties, the amount projected by each county
33 that would be required to fund first-year costs pursuant
34 to paragraph (2) of subdivision (b) of Section 5814 of the
35 Welfare and Institutions Code. If the total of the
36 projected first-year costs of all counties exceeds the
37 maximum appropriation, each county shall receive a
38 percentage of the maximum appropriation equal to that
39 county's percentage of the total projected costs for all
40 counties.

1 (j) The amounts appropriated to the State
2 Department of Mental Health, in subdivisions (b) to (h),
3 inclusive, for the second and all subsequent fiscal years of
4 funding for expansion of the county mental health
5 programs pursuant to Section 5814 of the Welfare and
6 Institutions Code, shall be allocated to counties based on
7 the actual amounts due under the contract with the
8 applicable county for the actual net increases in the
9 number of persons served during the prior fiscal year,
10 adjusted by the amount that the allocation to the county
11 in the prior fiscal year was greater or less than the amount
12 required to fund the county for the actual increase in
13 number of persons served. If the total amount of the
14 allocations to all counties would exceed the maximum
15 allowable appropriation for that year, each county shall
16 receive a percentage of the maximum appropriation
17 equal to that county's percentage of the total costs for all
18 counties for that year. If the allocations to counties are
19 reduced, the balance of each county's costs may be paid
20 to that county in the following fiscal year to the extent
21 funds are available.

